Volume 21 No 2 Spring 2020

the Register

Wealth Management and Protection

IN THIS ISSUE

REGISTER PROFILE

Michael Saltiel, MRFC®
Amy Sheesley, MRFC®
Saltiel Wealth Management

IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

Official IARFC Publication
www.IARFC.org

Why Fixed Indexed Annuities...The Crumbling Economy

For the past couple of years, I have spent a great deal of time talking with clients about, and educating consultants on, the need to add Fixed Indexed Annuities (FIAs) to their portfolios and the portfolios of their clients. I talked about moving part of clients' assets and locking in the gains from the market. The actions of the market recently is the exact reason I spoke so often on this topic.

Clients who have Fixed Indexed Annuities are less worried about the markets right now because FIAs offer the safety of not losing money due to a pullback in the market, while still earning competitive interest in a positive market. At their core, FIAs fit into the comfort level of many clients near and in retirement where the allure of large gains can wane due to the desire of protecting what they have accumulated.

For investors still a few years out from retiring, Fixed Indexed Annuities can offer peace of mind. By using FIAs as part of their planning, these clients are able to benefit from the safety aspects of the FIAs which can allow them to hold more aggressive allocations in other parts of their plan. All of this is on top of the fact there is liquidity available on an annual basis, which allows a dollar cost averaging back into the market annually if the client chooses to do so. If they don't, FIAs can be set up to provide income for life or passed along to a beneficiary.

Fixed Indexed Annuities offer safety, flexibility, and peace of mind for a client's portfolio and a consultant's ability to help clients weather a rocky market. Remember, a negative 25% requires a 34% positive return to simply get back to even. With FIAs, there is no loss to overcome in order to have positive interest; the index simply has to be higher on the policy anniversary than it was the anniversary before. In short, Fixed Indexed Annuities are an important part of many client's portfolios.

While the virus scare was not anticipated, I am cautious of further triggering events which can cause the markets to continue to fall. While I realize there is still hyper-focus on the COVID-19 outbreak, a lot of panic, and more questions than answers; it appears the Coronavirus and its disruption to business supply chains, which will have an impact on corporate revenues, is the biggest factor we are dealing with today.

I do not believe that it is the sole reason for the pullback. Other factors are playing in such as; the Saudi and Russian oil conflict, and the election in November just to name a couple. This is all on top of the fact that we were at the start of a slowdown from the largest bull market in S&P history. The housing market was cooling, we were confronting inverse yields, there was high volatility, the fed funds rate had plateaued and was being reduced prior to the recent emergency cuts – these are all indications the economy had been slowing. In addition, foreign factors were weighing on the economy such as Brexit, trade tariffs and trade 'wars', and negative interest rates abroad.

Do I know where the market is going? Sure I do…the market will go up, go down, or remain flat. All joking aside, no, I can't tell you for certain which way it is headed nor for how long. What I can tell you is from the data and charts I have looked at, I think we were nearing a pull back and looking for a triggering event to move us over the edge. This is why Fixed Indexed Annuities make more sense recently than ever before. If you haven't implemented them into your clients' portfolios in the past, I strongly suggest you start. It is not too late. In my opinion, clients will be very happy with the peace of mind knowing their money is safe.

Eric Fortney, MBA, RFC®

Eric Fortney is Vice President of U.S. Marketing Corporation and has more than 20 years of industry experience. He has had an integral role in growing the company into a national wholesaling organization and has been actively involved in developing the company's bank, broker dealer, property casualty, and independent agency channel.

Contact: (800) 367-8639
eric@usmarketingcorp.com
www.usmarketingcorp.com